

Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	726.58	(2.00)	5.50	730.08	(2.00)	5.50	730.08	730.08
Personal Services	32,154,967	4,571,032	244,271	36,970,270	4,745,650	244,775	37,145,392	74,115,662
Operating Expenses	17,586,487	2,606,712	126,361	20,319,560	2,664,196	71,828	20,322,511	40,642,071
Equipment	425,584	89,000	14,700	529,284	90,000	14,700	530,284	1,059,568
Capital Outlay	0	0	0	0	0	0	0	0
Grants	11,211,885	20,917	0	11,232,802	20,917	0	11,232,802	22,465,604
Benefits & Claims	135,586	0	0	135,586	0	0	135,586	271,172
Transfers	170,036	0	0	170,036	0	0	170,036	340,072
Debt Service	3,775	0	0	3,775	0	0	3,775	7,550
Total Costs	\$61,688,320	\$7,287,661	\$385,332	\$69,361,313	\$7,520,763	\$331,303	\$69,540,386	\$138,901,699
General Fund	1,623,914	346,517	200,000	2,170,431	356,346	200,000	2,180,260	4,350,691
State/Other Special	29,089,380	3,131,914	1,290,903	33,512,197	3,243,923	2,631,303	34,964,606	68,476,803
Federal Special	30,904,462	3,796,267	(1,105,571)	33,595,158	3,904,922	(2,500,000)	32,309,384	65,904,542
Proprietary	70,564	12,963	0	83,527	15,572	0	86,136	169,663
Total Funds	\$61,688,320	\$7,287,661	\$385,332	\$69,361,313	\$7,520,763	\$331,303	\$69,540,386	\$138,901,699

Agency Description

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts research and collects employment statistics
- Administers the unemployment insurance program and disburses state unemployment benefits
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the 38 professional boards and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- Oversees and regulates the Montana Workers' Compensation system

Structurally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, and three boards are administratively attached.

Agency Highlights

Department of Labor and Industry Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget recommendations for the department result in a total budget increase of approximately 13 percent in the 2009 biennium from the doubled FY 2006 due primarily to: <ul style="list-style-type: none"> • Department-wide salary adjustments exceeding the 2007 biennium legislative pay plan • Other statewide present law adjustments • Recommended present law operating expense increases • New proposals adding 5.50 FTE each year for 2.0 FTE mine inspectors, a 0.5 FTE education specialist, and 3.0 electrical inspectors. ◆ The executive budget recommends funding switches for two programs: <ul style="list-style-type: none"> • A switch from federal funds to general fund of \$200,000 each year for the Research & Analysis Bureau • A switch from federal funds to the employment security account of \$905,571 in FY 2008 and \$2.3 million in FY 2009. This proposal would require a statutory change to increase the rate 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Increases to proprietary rates for cost allocation drive increases in present law adjustments 	

Agency Discussion*Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

State agencies have two main alternatives for pay plans – pay plan 60 and pay plan 20. Pay plan 60 is the traditional pay plan which has been used for several biennia to determine employee salary levels. It uses 25-grade pay matrixes to establish pay levels. An alternative to pay plan 60 is pay plan 20, which is a competency based pay plan with broad pay bands. The purpose of the plan is to provide managers with a mechanism to reward demonstrated competencies and services that assist with retention of employees. In addition, in many cases the broad pay bands allow higher entry-level salaries for recruitment of qualified employees.

DOLI implemented pay plan 20 department-wide on July 1, 2005 at a cost of about \$3 million above the legislatively approved personal services amounts for the agency. DOLI established the target salary for their employees at 95 percent of the market salary. To attain this they have five band steps within their pay plan 20 program. For each year of state experience the employee goes up a band step and moves closer to the 95 percent target with the goal of achieving 95 percent of market within five years. For example, an employee new to state government would start at 80 percent of market at DOLI, and within 5 years the employee would be at 95 percent of market. For each employee, if the conversion to pay plan 20 was less than the legislatively approved increase of 3.5 percent or \$1,005 the employee was granted the higher amount.

On July 1, 2006 DOLI adjusted their market salaries based on the Department of Administration market analysis which is conducted every two years. In this year they increased salaries to the highest of: 1) the new market analysis amount; 2) 4 percent increase in salary; or 3) the legislatively approved pay plan increase of 4 percent or a minimum of \$1,188. The additional costs above the legislatively approved amount for these increases in FY 2007 was \$16,300.

Both of the personal services increases are included in the FY 2006 base amount for the 2009 biennium and result in significant increases allocated through the statewide present law adjustments. The costs are also included in the indirect cost allocations used by the agency. If the Governor's proposed biennium increase of between 3 and 3.6 percent is approved by the legislature it would be added to the higher salaries.

The department allocates charges for the Commissioner's Office and the costs of bureau administration through a recharge process to the programs it operates.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Work Force Services Division	\$ 1,457,131	\$ 15,523,080	\$ 40,143,792	\$ 57,124,003	41.13%
02 Unemployment Insurance Divisio	-	4,667,026	17,468,629	22,135,655	15.94%
03 Commissioner'S Office/Csd	505,270	1,381,769	954,211	3,010,913	2.17%
04 Employment Relations Division	2,138,290	17,574,062	1,504,186	21,216,538	15.27%
05 Business Standards Division	-	27,903,248	-	27,903,248	20.09%
07 Office Of Community Services	250,000	200,000	5,833,724	6,283,724	4.52%
09 Workers Compensation Court	-	1,227,618	-	1,227,618	0.88%
Grand Total	\$ 4,350,691	\$ 68,476,803	\$ 65,904,542	\$ 138,901,699	100.00%

The Department of Labor and Industry is funded from general fund, state special revenue, federal special revenue, and proprietary funds. Total HB 2 funds increase \$15.5 million in the executive budget, a 12.6 percent increase in the 2009 biennium from double the FY 2006 base. Most of the proprietary funds are excluded from HB 2, but are presented and discussed in the budget analysis.

General fund supports a portion of the Jobs for Montana Graduates program and the Research and Analysis Bureau in the Workforce Services Division; the Legal Unit and Hearings Unit in the Commissioner's Office; the Human Rights Bureau, Silicosis Program, social security offset function in the WC Claims Assistance Bureau, and Management Services Bureau; and the Community Services program. General fund would increase \$1.1 million, or 34 percent, in the executive budget in the 2009 biennium from double the FY 2006 base, due primarily to:

1. An executive budget proposal to increase general fund support for the Research & Analysis Bureau -- \$400,000 for the biennium;
2. Statewide present law adjustments -- \$444,000 for the biennium; and
3. Other adjustments -- \$260,000 for the biennium.

The department has several state special revenue funds. Detailed discussions of state special revenue are included in the program narratives. State special revenue would increase \$10.3 million, or 18 percent, in the executive budget in the 2009 biennium from double the FY 2006 base, due to the following:

1. A new proposal to change the tax structure for the employment security account and the state unemployment tax at \$3.2 million requires legislation to be implemented;
2. A new proposal to restart metal and non-metal mine inspections - \$0.3 million;
3. A new proposal to add more electrical inspectors - \$0.3 million;
4. Statewide present law adjustments - \$3.1 million; and
5. Other present law adjustments - \$3.3 million.

**LFD
ISSUE****Employment Security Tax Would Increase**

The executive is proposing to reduce the unemployment insurance tax on employees and increase the Employment Security Act (ESA) rate by about \$2.3 million. The current unemployment insurance tax would generate about the same revenue as the proposed increase to the ESA funds. The result would be a reduction in revenue to the UI trust and an increase in funds for the programs which ESA supports.

The department states that the UI trust fund does not require the level of funds currently provided to maintain solvency.

ESA funding is derived from a 0.13 percent assessment on all taxable wages and 0.05 percent of total employee wages if the employee is not covered by an experience rating relating to unemployment assessments. In FY 2006 these assessments generated \$8.3 million in revenues for the ESA. According to statute, funds in the ESA are to be used for the payment of unemployment insurance benefits, and for expenses:

- o incurred in collecting money deposited into the account;
- o incurred for the employment offices
- o incurred for the apprenticeship and training program
- o of the displaced homemaker programs
- o of the research and analysis functions
- o of the department functions pertaining to wage and hour laws, prevailing wages, and collective bargaining

The figure below provides the amounts and percentages of the ESA revenues DOLI has allocated to the various divisions.

Figure 1
Employment Security Account
Program Expenditures

	2001	2002	2003	2004	2005	2006
Work Force Services Division	\$3,685,038	\$4,797,303	\$1,514,813	\$5,014,353	\$5,123,966	\$6,487,650
Unemployment Insurance Division	294,701	270,153	447,427	117,917	6,504	679,829
Commissioner's Office	247,173	256,600	198,882	203,614	303,425	187,114
Employment Relations Division	772,214	810,620	854,749	1,063,288	1,138,228	1,002,559
Office of Community Services	0	0	0	743	743	0
Total	<u>\$4,999,126</u>	<u>\$6,134,676</u>	<u>\$3,015,871</u>	<u>\$6,399,915</u>	<u>\$6,572,866</u>	<u>\$8,357,152</u>

Over the last several years the department has used about 78 percent of the ESA funds to support the services provided by the job service centers around the state. One of the other major funding sources for the office are the federal Workforce Investment Act (WIA) funds, which are granted to states based on the

state's ranking amongst other states within several economic categories. These categories consider the number of unemployed workers, the unemployment rate, and the number of residents considered economically disadvantaged. Montana's economy has been outpacing the majority of the United States in relation to these categories. As long as this trend continues, Montana's share of WIA will decrease as a percentage of total funds granted as the need for the services is thought to also decrease.

The department has proposed to use the additional ESA funds as follows:

Federal revenues as a percentage of total funding declines from 50 percent in the FY 2006 base budget to 47 percent of the 2009 biennium budget. The declining federal revenues are offset by increases in general fund and state special revenue such as the ESA funds. The department request assumes all current operations of the job service offices as necessary.

Figure 2
ESA Distributions with Increased Rate

	FY 2006	FY 2008	FY 2009
Work Force Services Division	\$6,487,650	\$7,106,968	\$7,069,690
Unemployment Insurance Division	679,829	1,605,795	3,021,231
Commissioner's Office	187,114	204,598	206,039
Employment Relations Division	<u>\$977,102</u>	<u>\$1,121,258</u>	<u>\$1,127,640</u>
Total ESA	<u>\$8,331,695</u>	<u>\$10,038,619</u>	<u>\$11,424,600</u>

In the last several years people searching for employment frequently use the Internet to download applications and submit job applications. The changes in employment searches may also affect the need for multiple job services offices around the state.

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State unemployment taxes are paid into the unemployment trust fund, which is used solely for the payment of benefits to unemployed Montanans. The reduction of the funds transferred into the trust can affect the solvency of the trust in the future. According to department staff, at \$200 million Montana has the third largest unemployment insurance trust in the country. However, the department has not requested an actuarial determination of the effects of the reduced revenue to the trust on trust solvency. Future projections of the unemployment trust account should be completed for the next several biennia to determine the long-term impacts of reducing trust income to ensure the trust continues to be able to pay for benefits.

The legislature may wish to consider the implications of federal grant reductions and the long-term impacts of reducing trust income as part of their deliberations on the necessity of changing the funding for the ESA and the unemployment trust account.

Federal funds comprise about 47 percent of the funding support for the agency and support to varying degrees all agency programs. UI administrative grants provide approximately 28 percent of the federal funding over the biennium. The funds are used to support the Unemployment Insurance Division. Three major grants, the Workforce Training Investment Act funds, Wagner Peyser grants, and Employment Training Grants support the activities of the Work Force Services Division and are about 20 percent, 16 percent, and 13 percent, respectively, of the agency's federal funding support. The Montana Community Service grant provides funding for the Office of Community Services at 8 percent of overall agency federal funding appropriations.

Biennium Budget Comparison

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

Budget Item	Present Law Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	Present Law Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Biennium Fiscal 06-07	Total Exec. Budget Fiscal 08-09
FTE	724.58	5.50	730.08	724.58	5.50	730.08	726.58	730.08
Personal Services	36,725,999	244,271	36,970,270	36,900,617	244,775	37,145,392	66,894,245	74,115,662
Operating Expenses	20,193,199	126,361	20,319,560	20,250,683	71,828	20,322,511	36,691,713	40,642,071
Equipment	514,584	14,700	529,284	515,584	14,700	530,284	868,004	1,059,568
Capital Outlay	0	0	0	0	0	0	0	0
Grants	11,232,802	0	11,232,802	11,232,802	0	11,232,802	28,091,844	22,465,604
Benefits & Claims	135,586	0	135,586	135,586	0	135,586	322,385	271,172
Transfers	170,036	0	170,036	170,036	0	170,036	299,333	340,072
Debt Service	3,775	0	3,775	3,775	0	3,775	7,550	7,550
Total Costs	\$68,975,981	\$385,332	\$69,361,313	\$69,209,083	\$331,303	\$69,540,386	\$133,175,074	\$138,901,699
General Fund	1,970,431	200,000	2,170,431	1,980,260	200,000	2,180,260	3,332,516	4,350,691
State/Other Special	32,221,294	1,290,903	33,512,197	32,333,303	2,631,303	34,964,606	60,701,078	68,476,803
Federal Special	34,700,729	(1,105,571)	33,595,158	34,809,384	(2,500,000)	32,309,384	67,908,938	65,904,542
Proprietary	83,527	0	83,527	86,136	0	86,136	1,232,542	169,663
Total Funds	\$68,975,981	\$385,332	\$69,361,313	\$69,209,083	\$331,303	\$69,540,386	\$133,175,074	\$138,901,699

New Proposals

The “New Proposals” table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10001 - Research & Analysis Funding Switch										
01	0.00	200,000	0	(200,000)	0	0.00	200,000	0	(200,000)	0
DP 20002 - UI Funding Switch (Requires Legislation)										
02	0.00	0	905,571	(905,571)	0	0.00	0	2,300,000	(2,300,000)	0
DP 40002 - Mine Inspection Reinstatement (Requires Legislation)										
04	2.00	0	148,197	0	148,197	2.00	0	145,548	0	145,548
DP 50001 - BOLB Additional FTE Education Specialist										
05	0.50	0	27,928	0	27,928	0.50	0	26,275	0	26,275
DP 50003 - Building Codes FTE										
05	3.00	0	159,207	0	159,207	3.00	0	159,480	0	159,480
DP 70004 - Conference on Race (Biennial)										
07	0.00	0	50,000	0	50,000	0.00	0	0	0	0
Total	5.50	\$200,000	\$1,290,903	(\$1,105,571)	\$385,332	5.50	\$200,000	\$2,631,303	(\$2,500,000)	\$331,303

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	305.95	0.00	0.00	305.95	0.00	0.00	305.95	305.95
Personal Services	12,231,745	2,704,104	0	14,935,849	2,770,197	0	15,001,942	29,937,791
Operating Expenses	4,461,353	317,681	0	4,779,034	275,415	0	4,736,768	9,515,802
Equipment	73,398	0	0	73,398	0	0	73,398	146,796
Capital Outlay	0	0	0	0	0	0	0	0
Grants	8,591,771	0	0	8,591,771	0	0	8,591,771	17,183,542
Transfers	170,036	0	0	170,036	0	0	170,036	340,072
Total Costs	\$25,528,303	\$3,021,785	\$0	\$28,550,088	\$3,045,612	\$0	\$28,573,915	\$57,124,003
General Fund	514,064	13,837	200,000	727,901	15,166	200,000	729,230	1,457,131
State/Other Special	7,144,739	635,245	0	7,779,984	598,357	0	7,743,096	15,523,080
Federal Special	17,869,500	2,372,703	(200,000)	20,042,203	2,432,089	(200,000)	20,101,589	40,143,792
Total Funds	\$25,528,303	\$3,021,785	\$0	\$28,550,088	\$3,045,612	\$0	\$28,573,915	\$57,124,003

Program Description

The Workforce Services Division (WSD) operates through four bureaus. The Job Service Field Operations Bureau functions through a network of 23 Job Service Workforce Centers. The division is a gateway to government services in the area of employment and training services. The WSD performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare to work, as well as for youth, veterans, seasonal/migrant farm workers, and general job seekers. Other bureaus include Workforce Technology, Statewide Workforce Programs and Oversight Bureau, and Research and Analysis.

Program Highlights

Workforce Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The budget increases by 12 percent in the 2009 biennium from FY 2006 due primarily to statewide present law adjustments that include salary adjustments exceeding the 2007 biennium legislative pay plan ◆ General fund increases 42 percent from FY 2006 to FY 2008 because the Governor proposes replacing federal funds in the Research and Analysis Bureau with general fund 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Performance measures and milestones need to be specific 	

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table							
Work Force Services Divi							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 514,064	2.0%	\$ 727,901	2.5%	\$ 729,230	2.6%
	01100 General Fund	514,064	2.0%	727,901	2.5%	729,230	2.6%
02000	Total State Special Funds	7,144,739	28.0%	7,779,984	27.3%	7,743,096	27.1%
	02258 Employment Security Account	6,478,145	25.4%	7,106,968	24.9%	7,069,690	24.7%
	02288 Mjtp Subgrants/Contracts	597,930	2.3%	597,930	2.1%	597,930	2.1%
	02315 Dli Info Exchange/Rental	1,481	0.0%	1,481	0.0%	1,481	0.0%
	02455 Workers' Comp Regulation	67,183	0.3%	73,605	0.3%	73,995	0.3%
03000	Total Federal Special Funds	17,869,500	70.0%	20,042,203	70.2%	20,101,589	70.3%
	03124 Employment Trng Grants	2,403,750	9.4%	4,396,700	15.4%	4,467,968	15.6%
	03126 Workforce Investment Act	6,757,257	26.5%	6,841,344	24.0%	6,848,333	24.0%
	03128 L & I Federal Funding	638,992	2.5%	628,726	2.2%	629,707	2.2%
	03131 Osha Stat Prgm Fed.St Sdy	61,074	0.2%	66,943	0.2%	67,298	0.2%
	03194 Research/Analysis Crn	864,812	3.4%	795,339	2.8%	800,245	2.8%
	03297 Labor And Industry Veteran Gra	728,521	2.9%	745,743	2.6%	743,122	2.6%
	03682 Wagner Peyser	5,392,034	21.1%	5,519,500	19.3%	5,500,103	19.2%
	03692 Alien Labor Certification(Alc)	82,879	0.3%	85,757	0.3%	85,583	0.3%
	03693 Wrk Opportunities Tx Crdt/Wotc	79,307	0.3%	80,218	0.3%	80,295	0.3%
	03694 Trade Adjustment Assist/Nafta	849,991	3.3%	870,085	3.0%	867,027	3.0%
	03954 Ui Administrative Grants	10,883	0.0%	11,848	0.0%	11,908	0.0%
Grand	Total	<u>\$ 25,528,303</u>	<u>100.0%</u>	<u>\$ 28,550,088</u>	<u>100.0%</u>	<u>\$ 28,573,915</u>	<u>100.0%</u>

The Workforce Services Division is funded with a mixture of general fund, state special revenue, and federal special revenues, which are used to support operations within the division. General fund supports the Jobs for Montana Graduates program (JMG). The executive budget also proposes replacing declining federal funds with general fund for the Research and Analysis Bureau totaling \$400,000 for the 2009 biennium. General fund increases 42 percent in the 2009 biennium primarily due to the proposed funding switch for the bureau.

State special revenue includes \$14.2 million in employment security account (ESA) funds and approximately \$1.2 million in sub-grants and contracts. ESA funds are used to support local job service centers, the displaced homemaker program, the statewide workforce programs and oversight bureau, and the research and analysis bureau. Issues related to these funds are discussed in the agency funding summary.

Federal funds include \$8.8 million in employment training grants, \$13.6 million in workforce investment act funds, \$11.0 million in Wagner Peyser funds, \$1.7 million in trade adjustment assistance funds, \$1.5 million in labor and industry veterans' grants, and several smaller federal sources. The federal funds are used at local job service centers to deliver employment and training services and are also used for program administration at the department.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,326,433					3,395,259
Vacancy Savings					(622,329)					(625,062)
Inflation/Deflation					54,050					57,987
Fixed Costs					(61,618)					(39,410)
Total Statewide Present Law Adjustments					\$2,696,536					\$2,788,774
DP 10002 - Operating Increase	0.00	7,927	69,670	247,652	325,249	0.00	8,758	30,959	217,121	256,838
Total Other Present Law Adjustments	0.00	\$7,927	\$69,670	\$247,652	\$325,249	0.00	\$8,758	\$30,959	\$217,121	\$256,838
Grand Total All Present Law Adjustments					\$3,021,785					\$3,045,612

LFD COMMENT

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature (\$1.1 million), funds salary increases or pay grade adjustments not funded in the pay plan (\$1.1 million), and restores salaries and benefits for vacancy savings realized in FY 2006 (\$1.0 million). For a discussion of the salary or pay grade adjustments above the pay plan see Agency Discussion. The division experienced a vacancy rate in authorized FTE hours of 7.8 percent during the base year. This level of vacancy equates to about 23.86 FTE. Had no vacancies existed, base expenditures would have been roughly \$1.0 million higher.

DP 10002 - Operating Increase – The executive budget increases operating expenses in this division to support increased indirect costs of \$870,347 over the 2009 biennium, computer database improvements of \$40,000, and rent increases of \$14,598.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plan, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the Commissioner’s Office/Centralized Services Division program narrative in this budget analysis document.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10001 - Research & Analysis Funding Switch										
01	0.00	200,000	0	(200,000)	0	0.00	200,000	0	(200,000)	0
Total	0.00	\$200,000	\$0	(\$200,000)	\$0	0.00	\$200,000	\$0	(\$200,000)	\$0

DP 10001 - Research & Analysis Funding Switch - The executive budget replaces \$200,000 of federal funds with general fund each year of the 2009 biennium.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Reductions have occurred in all three of the Research and Analysis Bureau's (R&A) primary funding sources, including the Bureau of Labor Statistics (BLS), Employment and Training Administration (ETA), and funding from the US Department of Education (USDOE) that support the Montana Career Resource Network (MCRN). Shortfalls in all programs have been absorbed through FTE reductions, efficiencies, additional grants, contracts, and one-time funding sources, but have now reached a critical level. After a reduction from 27 to 21 active FTE, products and services have been maintained at levels of quality and quantity comparable to historical levels, but our ability to sustain those levels has been maximized. Lack of the requested funding will directly result in the elimination of products and services. It is acknowledged that approval of this proposal constitutes a public policy decision to provide state support for delivering the state and local products and services provided by R&A, to our state and local customers.

Goals: To obtain the funding necessary to maintain the daily operations, products, and services of R&A at current levels.

Performance Measures: Products and services funded by this proposal undergo a constant review process which includes opportunities for updates, changes in priority for products and services, and opportunities for new products and services.

Milestones: If approved, implementation will commence on the 1st day of the state fiscal year.

FTE: No additional FTE will be hired as a result of the proposal. R&A proposes to maintain their current staffing level of 21 active FTE.

Funding: The executive budget uses general fund to fund this proposal. Numerous other sources of funding, such as grants and contracts for services, have been explored and have not proven to be capable of being a consistent funding source for daily operations and current products and services. Many of our current customers, including teachers, students, administrators, legislators, public officials, non-profits, state agencies, boards, local government, economic development agencies, chambers of commerce, etc, have very limited funding at their disposal, and are not able to pay for the services or products rendered.

Obstacles: There are no significant challenges to implementation.

Risk: If this proposal is not adopted, customers and users of our services and products will immediately be impacted. Products and services not provided will fall into two broad areas - Montana-specific state and local labor market information, and the career information currently produced by the MCRN. Examples include: County Fliers, Reservation Fliers, Economy at a Glance, Specialized Research Projects, Information requests, Consultation/guidance to various state and local entities, www.ourfactsyourfuture.org website, The Real Game Series™, Montana Career Guide, and numerous career development resource publications.

**LFD
ISSUE****General Fund Replacement For Federal Funds**

The Research and Analysis Bureau issues a number of economic, wage related, and other publications including the Economy at a Glance, the Labor Day Report, Prevailing Wage Publications and career development information. The bureau publishes a number of hard copies and makes them available for electronic download.

**LFD
ISSUE
CONT.**

These activities are supported through a number of federal grants administered by the US Department of Labor Bureau of Labor Statistics, including employment and training administration labor market information funds, Occupational Safety and Health funds, America's career resource network grant, unemployment insurance, and occupational employment statistics funds. The America's career resource network grant of \$118,789 was not reauthorized by Congress. In addition, the division anticipates a reduction of \$42,000 in employment and training administration labor market information support and \$17,000 in current employment statistic funds. These funding decreases make up the majority of the funding switch.

The division's goal for these funds of obtaining the funding necessary to maintain the daily operations, products, and services of R&A at current levels does not appear to address the implications of the reduced funding - that there may be less need for the services due to higher employment rates in Montana as compared to previous years or that the specific programs supported by the reduced grant funding may no longer needed. The legislature may wish to consider the demand and need for the services provided by the Research and Analysis Bureau as part of its review of this request.

Performance indicators should be specific, measurable and time-bound to allow the legislature to evaluate the success of the program. In addition, the program does not provide milestones related to program activity which it anticipates achieving. The legislature may wish to specify performance indicators and milestones relating to this funding request.

Proprietary Rates**Proprietary Program Description**

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being funded by the Student Assistance Foundation (through a grant) for a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, home use, and adult education programs. If the grant with the Student Assistance Foundation ends, MCIS will need to resort back to license fees for the basic system. There are currently optional components of MCIS not funded by the Student Assistance Foundation such as IDEAS (an interest inventory) that requires MCIS to collect fees associated with this optional component.

Proprietary Revenues and Expenses

Revenue comes to MCIS by billing users for optional components and services. Major classes of expenses for the MCIS program are personal services and computer programming charges.

Proprietary Rate Explanation

The fees charged by MCIS are not to exceed \$1,500 per site. Fees will be charged by optional component per site as follows:

- IDEAS Assessment - \$100 per site
- Civil Service Practice Tests - \$200 per site
- Dependable Strengths - \$200 per site
- Academic Practice Tests Package - \$225-450 depending on enrollment

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Fund	Fund Name	Agency	Agency Name	Program Name
6051	MT Career Info System	66020	Dept. of Labor & Industry	Workforce Services Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Charges for Services	127,819	129,038	2,740	55,000	55,000	60,000
Net Fee Revenue	127,819	129,038	2,740	55,000	55,000	60,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	4	-	-	-	-	-
Total Operating Revenue	127,823	129,038	2,740	55,000	55,000	60,000
Operating Expenses:						
Personal Services	67,664	53,994	8,455	38,000	39,201	39,285
Other Operating Expenses	56,632	60,581	6,403	108,312	5,812	5,812
Total Operating Expenses	124,296	114,575	14,858	146,312	45,013	45,097
Operating Income (Loss)	3,527	14,463	(12,118)	(91,312)	9,987	14,903
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	3,527	14,463	(12,118)	(91,312)	9,987	14,903
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	3,527	14,463	(12,118)	(91,312)	9,987	14,903
Total Net Assets- July 1 - As Restated	25,776	29,304	43,767	31,649	(59,663)	(49,676)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	25,776	29,304	43,767	69,251	(59,663)	(49,676)
Net Assets- June 30	29,303	43,767	31,649	(59,663)	(49,676)	(34,773)
60 days of expenses						
(Total Operating Expenses divided by 6)	20,716	19,096	2,476	24,385	7,502	7,516
Fee/Rate Information						
	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Charges for Services	1,150	1,150	1,150	1,150	1,500	1,500
Group II (High schools w/under 200 students)	977	977	977	977	725	725
Group II (High schools w/over 200 students, agencies and business)	2,000	2,000	2,000	2,000	950	950

Rates will be charged for optional components and services associated with the Montana Career Information System (MCIS). The fees charged by MCIS are not to exceed \$1,500 per site. Fee will be charged by optional components as follows: IDEAS Assessment - \$100 per site; Civil Service Practice Tests - \$200 per site; Academic Practice Tests - \$225-450 per site depending on enrollment; and Dependable Strengths - \$200 per site.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	155.00	0.00	0.00	155.00	0.00	0.00	155.00	155.00
Personal Services	6,747,929	702,354	0	7,450,283	741,602	0	7,489,531	14,939,814
Operating Expenses	2,875,401	701,639	0	3,577,040	723,050	0	3,598,451	7,175,491
Equipment	6,400	0	0	6,400	0	0	6,400	12,800
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	3,775	0	0	3,775	0	0	3,775	7,550
Total Costs	\$9,633,505	\$1,403,993	\$0	\$11,037,498	\$1,464,652	\$0	\$11,098,157	\$22,135,655
State/Other Special	700,342	19,882	905,571	1,625,795	40,889	2,300,000	3,041,231	4,667,026
Federal Special	8,933,163	1,384,111	(905,571)	9,411,703	1,423,763	(2,300,000)	8,056,926	17,468,629
Total Funds	\$9,633,505	\$1,403,993	\$0	\$11,037,498	\$1,464,652	\$0	\$11,098,157	\$22,135,655

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed individuals. The division is organized into three bureaus: Contributions, Claims Processing and Program Support. The Contributions Bureau is responsible for UI employer registration, UI tax, wage report collection, wage revisions and employer audits. The Claims Processing Bureau has two claims processing centers (Billings and Helena) that file and adjudicate UI claims, and respond to all UI claim related inquiries. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal and multi-state claims. The Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. The bureau also provides management analysis and research for economic, program management, reporting and legislative purposes in addition to operating tax and benefit quality control, benefit payment control, and integrity programs.

Program Highlights

Unemployment Insurance Division Major Budget Highlights	
♦	The budget increases by 15 percent in the 2009 biennium from FY 2006 due to: <ul style="list-style-type: none"> Statewide present law adjustments, including pay plan increases, pay adjustments exceeding the 2007 legislative pay plan, and restoration of vacancy savings realized in FY 2006 The executive recommendation to provide a general operating expense increase for the division Postage costs that are now the responsibility of the department
♦	The Governor recommends increasing the administrative assessment rate that funds the employment security account, and use the increased revenue to replace federal funds. This proposal would require legislation to change the assessment rate.

Major LFD Issues

- ◆ Operating cost increase appears to backfill broadband pay increases

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

		Program Funding Table					
		Unemployment Insurance D					
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000	Total State Special Funds	\$ 700,342	7.3%	\$ 1,625,795	14.7%	\$ 3,041,231	27.4%
	02258 Employment Security Account	679,835	7.1%	1,605,795	14.5%	3,021,231	27.2%
	02315 Dli Info Exchange/Rental	20,507	0.2%	20,000	0.2%	20,000	0.2%
03000	Total Federal Special Funds	8,933,163	92.7%	9,411,703	85.3%	8,056,926	72.6%
	03278 Ui Penalty & Interest	590,209	6.1%	445,341	4.0%	445,341	4.0%
	03954 Ui Administrative Grants	8,342,954	86.6%	8,966,362	81.2%	7,611,585	68.6%
Grand Total		<u>\$ 9,633,505</u>	<u>100.0%</u>	<u>\$ 11,037,498</u>	<u>100.0%</u>	<u>\$ 11,098,157</u>	<u>100.0%</u>

The UI division is funded with state special revenue funds and federal funds. State special revenue consists of the Employment Security Account (ESA) and information exchange/rental funds. As shown in the discussion of ESA in the agency funding discussion DOLI has historically expended between 1 percent and 8 percent of the ESA revenues to the UI division to offset federal grant fund fluctuations. The executive is proposing to increase the ESA funding rates and use the increases to fund \$3.0 million of program costs. For additional information on this issue see the agency funding summary.

Federal funds are derived from UI administrative grants and UI penalty and interest.

LFD
COMMENT

The legislature may wish to make the appropriation for the unemployment insurance division contingent upon passage and approval of the proposed legislative changes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					927,881					968,771
Vacancy Savings					(307,027)					(308,669)
Inflation/Deflation					9,408					9,955
Fixed Costs					(57,269)					(42,405)
Total Statewide Present Law Adjustments					\$572,993					\$627,652
DP 20001 - UI Operating Increases	0.00	0	0	431,000	431,000	0.00	0	0	0	437,000
DP 20003 - UI Penalty Mail	0.00	0	0	400,000	400,000	0.00	0	0	0	400,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$831,000	\$831,000	0.00	\$0	\$0	\$837,000	\$837,000
Grand Total All Present Law Adjustments					\$1,403,993					\$1,464,652

DP 20001 - UI Operating Increases - The executive budget includes \$431,000 in FY 2008 and \$437,000 in FY 2009 to increase operating costs in the Unemployment Insurance Division. The funding for this request is from the UI administrative grant account.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal is for increases in operational costs including phone, supplies, training, agency cost allocation plan, legal services, overtime, central imaging, and rent.

Goals: The goal of this proposal is to obtain adequate authority to maintain current program operations.

Performance Criteria: Progress will be measured by federal performance standards in all areas of the program and through state audits. Federal performance standard results are measured by reviews on a quarterly basis by local and regional review teams.

Milestones: Ongoing

FTE: Current base level FTE.

Funding: Funding for this proposal is entirely federal special revenue.

Obstacles: None

Risk:

- Levels of service decline to the state's unemployed that are in need of benefit payments
- Areas of the budget would need to be reduced in order to fund fixed costs
- Customers would have limited and or delayed access to Unemployment Insurance benefits and tax staff

LFD ISSUE	Cost Adjustment Not Justified
	This adjustment proposed by the executive expands the operating costs of this program without sufficient justification for the increase. In addition, it is not a present law increase and should be categorized as a new proposal and justified further.
	Approximately one-half of the requested increase is for increased agency indirect costs and the remaining increase is for other operating expenses. The adjustment includes cost increases for expenditures that are not usually inflated during the budget process, such as travel and communications. The adjustment is funded from the UI administrative grant.
	The legislature may wish to consider the need for inflation relating to travel and communications and other areas as part of this request.

DP 20003 - UI Penalty Mail - The US Department of Labor used to pay the US Postal Service for program postage costs, but took these costs into consideration when developing the annual allocation of federal funds. Effective October 1, 2007, the US Department of Labor is changing the practice to require the Montana Department of Labor to pay these costs. The executive budget includes \$800,000 from UI administrative grant funds for the 2009 biennium to pay these additional costs.

**LFD
COMMENT**

The legislature may want to reduce the increase in FY 2008 to \$300,000 since the change is effective three months into FY 2008.

New Proposals

New Proposals										
Program	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20002 - UI Funding Switch (Requires Legislation)										
02	0.00	0	905,571	(905,571)	0	0.00	0	2,300,000	(2,300,000)	0
Total	0.00	\$0	\$905,571	(\$905,571)	\$0	0.00	\$0	\$2,300,000	(\$2,300,000)	\$0

DP 20002 - UI Funding Switch (Requires Legislation) - The executive budget includes a funding switch from federal special revenue to state special revenue. Funding would be contingent upon legislation that would increase the Employment Security Account (ESA) assessment rate and reduce state unemployment insurance contribution rates. The executive budget increases funding from the ESA by \$905,571 in FY 2008 and \$2,300,000 in FY 2009 and reduces funding from the UI administrative grant account by a like amount.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The Unemployment Insurance Division (UI) has been experiencing declining federal special revenue for several years. The division has been using a 2002, one-time, Reed Act funding distribution to assist the division with funding shortfalls and bond payments. If there is no alternate funding source in the future, the UI division will be out of Reed Act funds in FY 2009 and reductions to services and the program will be necessary. The UI funding proposal maintains current operations levels and does not add FTEs, new functions or expand any function of state government.

Goals: The goal of the proposal is to maintain current program performance levels; make timely benefit payments to claimants; maintain proper and timely tax collections; provide on-going quality customer service to unemployed workers filing and receiving benefits, and to employers who pay the tax that funds the program.

Performance Measures: Our progress will be measured by federal performance standards in all areas of the program. Failure to meet the performance standards results in corrective action.

Milestones:

- Rate change implementation accomplished accurately and timely (01/01/08)
- Collection of monies completed accurately and timely (ongoing)
- Reconciliation of monies from proposal and collections (01/01/08 and ongoing)
- Service and performance levels maintained at current levels (ongoing)

FTE: This proposal will maintain current service levels without asking for additional FTE.

Funding: UI administrative funding would effectively be revenue neutral to the majority of employers, with the increase in ESA offset by an identical decrease in the SUTA rate.

Obstacles:

- Employer education on tax rate changes and why two different effective dates for implementation of the rate change.
- Programming accuracy for the rates and dates of implementation. Administrative rule revision is required for reducing the tax rate schedules for governmental entities.

Risk:

- Delays of 6-8 weeks in benefit payment and/or decisions to the state's unemployed, resulting in frustration and fiscal impact for claimants. (Source data is based on SFY02 experience.)
- Customers would have limited and/or delayed access to unemployment insurance benefits and tax staff.
- Fraud would increase due to limited or no detection activities
- Delays and in some cases loss of unemployment insurance benefits being expended in local communities, affecting local economies statewide. The UI Program paid \$72 million to eligible unemployed workers in FY 2006. These monies are spent in local businesses and communities to help keep those local businesses open.
- Delayed/reduced employer UI tax and benefit overpayment collections activity adversely affecting a healthy trust fund

**LFD
ISSUE****Incomplete Information**

The LFD issues relating to the increase of the ESA assessment are discussed in the agency funding section.

The program does not provide the specific, time-bound, measurable performance criteria it will use for evaluating the proposed additional uses of the ESA. The program goals of timely benefit payments to claimants, maintaining proper and timely tax collections, providing on-going quality customer service to unemployed workers filing and receiving benefits, and to employers who pay the tax that funds the program do not have specific measurement criteria outlined in the above information.

The milestones are not clearly related to the performance criteria as the criteria is not outlined.

The legislature may wish to request the division provide specific measurable, time-bound objectives to implement the goals outlined above. It may also wish to have the division outline how the milestones relate to the goals and the costs of implementing these goals over the 2009 biennium.

Language

The UI Funding Switch decision package is contingent on the passage and approval of LC557.

Proprietary Rates**Proprietary Program Description**

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying unemployment insurance benefit claims.

Proprietary Revenues and Expenses

The revenues received in the proprietary fund are for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are Unemployment Insurance Benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Proprietary Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the Unemployment Insurance Benefits to claimants who have involuntarily become unemployed.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Tax Benefit Fund	66020	Dept. Of Labor & Industry	Unemployment Insurance Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	11,338,624	10,950,920	10,295,866	11,000,000	15,800,000	16,800,000
Securities Lending Income	-	-	-	-	-	-
Premiums	67,873,306	72,866,347	76,754,170	79,600,000	78,650,000	79,000,000
Other Operating Revenues	16,916,759	10,327,661	10,726,426	7,900,000	9,100,000	9,100,000
Total Operating Revenue	96,128,689	94,144,928	97,776,462	98,500,000	103,550,000	104,900,000
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	93,881,684	75,291,565	72,660,548	85,536,211	71,019,577	71,019,577
Total Operating Expenses	93,881,684	75,291,565	72,660,548	85,536,211	71,019,577	71,019,577
Operating Income (Loss)	2,247,005	18,853,363	25,115,914	12,963,789	32,530,423	33,880,423
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	2,247,005	18,853,363	25,115,914	12,963,789	32,530,423	33,880,423
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(4,297,012)	(2,728,652)	(557,800)	(2,234,343)	(2,101,153)	(840,534)
Change in net assets	(2,050,007)	16,124,711	24,558,114	10,729,446	30,429,270	33,039,889
Total Net Assets- July 1 - As Restated	193,632,207	191,032,270	207,156,981	231,715,095	242,444,541	272,873,811
Prior Period Adjustments	(549,930)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	193,082,277	191,032,270	207,156,981	231,715,095	242,444,541	272,873,811
Net Assets- June 30	191,032,270	207,156,981	231,715,095	242,444,541	272,873,811	305,913,700
60 days of expenses (Total Operating Expenses divided by 6)	15,646,947	12,548,594	12,110,091	14,256,035	11,836,596	11,836,596

Requested Rates for Enterprise Funds**Fee/Rate Information**

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Unemployment Insurance Contributions/Benefits	97,536,211	85,526,211	85,526,211	84,629,000	88,889,000	92,893,000

Note:

MCA 39-51-1217 sets the rate which employers are charged contributions for the purpose of paying Unemployment Insurance Benefits.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	20.50	(2.00)	0.00	18.50	(2.00)	0.00	18.50	18.50
Personal Services	1,209,950	6,717	0	1,216,667	13,014	0	1,222,964	2,439,631
Operating Expenses	262,826	17,687	0	280,513	27,943	0	290,769	571,282
Total Costs	\$1,472,776	\$24,404	\$0	\$1,497,180	\$40,957	\$0	\$1,513,733	\$3,010,913
General Fund	199,224	52,084	0	251,308	54,738	0	253,962	505,270
State/Other Special	760,845	(74,641)	0	686,204	(65,280)	0	695,565	1,381,769
Federal Special	442,143	33,998	0	476,141	35,927	0	478,070	954,211
Proprietary	70,564	12,963	0	83,527	15,572	0	86,136	169,663
Total Funds	\$1,472,776	\$24,404	\$0	\$1,497,180	\$40,957	\$0	\$1,513,733	\$3,010,913

Program Description

The Commissioner's Office and the Centralized Services Division provide program direction, legal, administration, and support services to the department's four divisions and the five administratively attached entities.

Program Highlights

Commissioner's Office/Legal and Centralized Services Division	
Major Budget Highlights	
◆	Two FTE attorneys are transferred from HB 2 funding to the proprietary fund

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table							
Commissioner'S Office/Cs							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 199,224	13.5%	\$ 251,308	16.8%	\$ 253,962	16.8%	
01100 General Fund	199,224	13.5%	251,308	16.8%	253,962	16.8%	
02000 Total State Special Funds	760,845	51.7%	686,204	45.8%	695,565	46.0%	
02258 Employment Security Account	187,117	12.7%	204,598	13.7%	206,039	13.6%	
02315 Dli Info Exchange/Rental	8,145	0.6%	10,000	0.7%	10,000	0.7%	
02448 Building Codes State Spec Rev	78,204	5.3%	124,288	8.3%	126,893	8.4%	
02455 Workers' Comp Regulation	176,573	12.0%	214,485	14.3%	219,002	14.5%	
02824 Board Of Medical Examiners	91,135	6.2%	-	-	-	-	
02833 Board Of Nursing	95,145	6.5%	-	-	-	-	
02941 Uninsured Employer Fund	124,526	8.5%	132,833	8.9%	133,631	8.8%	
03000 Total Federal Special Funds	442,143	30.0%	476,141	31.8%	478,070	31.6%	
03122 Eeoc	35,452	2.4%	53,780	3.6%	54,348	3.6%	
03954 Ui Administrative Grants	406,691	27.6%	422,361	28.2%	423,722	28.0%	
06000 Total Proprietary Funds	70,564	4.8%	83,527	5.6%	86,136	5.7%	
06546 Commissioner'S Office/Csd	70,564	4.8%	83,527	5.6%	86,136	5.7%	
Grand Total	<u>\$ 1,472,776</u>	<u>100.0%</u>	<u>\$ 1,497,180</u>	<u>100.0%</u>	<u>\$ 1,513,733</u>	<u>100.0%</u>	

Most of the budget for this division is funded from an administrative charge assessed other divisions for administrative services (such as fiscal support, personnel, and legal/hearings for the Business Standards Division) provided by this division. The budget for these types of costs is accounted for in a proprietary fund and is not included in the above table. The remaining functions in this division, including a portion of the Legal Unit and Hearings Unit, are included in the above table and funded through HB 2.

The Legal and Hearings Units of the division are funded on the basis of the amount of time and effort provided to other department functions.

- General fund supports legal and hearing services for the Human Rights Bureau and comprised 13.5 percent of funding in FY 2006. The executive budget includes more than 25 percent increase in general fund each year of the 2009 biennium compared to double the FY 2006 base. General fund comprises 17 percent of the HB 2 funding each year of the 2009 biennium.
- In the base year, state special revenue funds came from the employment security account, rental fees, building codes state special revenue, workers' comp regulation, the Board of Medical Examiners, the Board of Nursing, and the uninsured employer fund. With the transfer of 2.0 FTE to the proprietary fund, state special revenue from the Board of Medical Examiners and the Board of Nursing is removed from this budget in the 2009 biennium. In FY 2006, state special revenue comprised 52 percent of the HB 2 funding; this percentage decreases to 46 percent in the 2009 biennium.
- Federal special revenue funds include equal employment opportunity commission funds and unemployment insurance administrative grants.
- Proprietary funding from the department's internal cost allocation plan accounts for approximately six percent of the division's funding in HB 2 (for further information on the department's cost allocation plan, refer to proprietary rates at the end of this program)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				217,472					224,392
Vacancy Savings				(57,099)					(57,375)
Inflation/Deflation				2,717					3,264
Fixed Costs				6,430					10,641
Total Statewide Present Law Adjustments				\$169,520					\$180,922
DP 30001 - CSD Operating Increase									
0.00	5,244	21,191	11,607	41,164 *	0.00	5,880	23,882	13,035	46,315 *
DP 30002 - CSD Funding Switch									
(2.00)	0	(186,280)	0	(186,280)	(2.00)	0	(186,280)	0	(186,280)
Total Other Present Law Adjustments									
(2.00)	\$5,244	(\$165,089)	\$11,607	(\$145,116)*	(2.00)	\$5,880	(\$162,398)	\$13,035	(\$139,965)*
Grand Total All Present Law Adjustments				\$24,404 *					\$40,957 *

LFD COMMENT

The statewide present law personal services adjustment includes the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature, funds salary increases or pay grade adjustments not funded in the pay plan, and restores salaries and benefits for vacancy savings realized in FY 2006. A discussion of the salary increase or pay grade adjustments can be found in the Agency Discussion.

DP 30001 - CSD Operating Increase - The executive requests \$41,164 in FY 2008 and \$46,315 in FY 2009 for indirect costs to support central services. The funding sources for this request include general fund, state special and federal revenues.

**LFD
COMMENT**

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative at the end of this program.

DP 30002 - CSD Funding Switch - The executive budget includes a funding switch from HB 2 funding to the division's proprietary fund for two attorney positions. This adjustment would reduce state special revenue \$186,280 each year of the biennium and increase the proprietary fund budget by a like amount.

**LFD
COMMENT**

This decision package removes two attorneys assigned to the Board of Medical Examiners and the Board of Nursing from state special revenue funds. Instead, the positions are included in internal service funds used by the Business Standards Division. The division indicated the attorneys worked for many of the boards based on the workload, and that they are proposing this change to more equitably distribute the costs among the boards utilizing their services.

Proprietary Rates

Proprietary Program Description

Cost Allocation Plan (CAP) - Supportive services provided by the Commissioner's Office and Centralized Services Division are funded through a cost allocation plan under which the other divisions in the department are assessed a percentage of their personal service costs to support centralized functions.

The Technical Services Bureau recovers costs for services to provide mainframe computer support and the Hearings Bureau provides administrative hearings to the Business Standards Division's licensing and building codes bureaus.

Proprietary Revenues and Expenses

In addition to the adjusted base expenditures, the predominant share of statewide fixed costs will be charged to the FY 2008-2009 cost allocation plan and recouped via the cost allocation rate.

Proprietary Rate Explanation

The cost allocation rate that funds the Commissioner's Office and the Centralized Services Division is the total costs of providing the services divided by the projected non-CAP personal service expenditures. The rate requested is 9.125% each year of the biennium.

Technical Services Bureau bills users based on actual use. The Hearings bureau establishes an hourly rate for attorneys and legal assistants not to exceed those charged by the Attorney Generals Office.

**LFD
ISSUE**

Cost Allocation

The cost allocation rate includes the personal services expenses for the division administrative staff, division information technology staff, operational expenditures relating to the staff, general operational expenditures for the division, and the personal services and operation costs of the legal unit.

**LFD
ISSUE
CONT.**

The Economic Affairs Interim Committee requested the division provide it further information on the methodology used by the division to allocate these costs. The committee heard testimony from the department on the costs allocations but did not take specific action in relation to the charges. The committee indicated further action on the rates should be completed through the legislative appropriation process. Additional information will be pursued for legislative consideration.

A number of the requests for additional funding included for the Business Standards Division are partially based on significant increases in the cost allocation rates charged to the boards.

The legislature may wish to consider the implications of the increased rate for the cost allocation on the various division budgets.

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6546	Commissioner's Office/CSD	66020	Department of Labor & Industry	Commissioner's Office
6547	L/CSD-Direct Charge			
6574	BSD Hearings			

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Cost Allocation Plan (CAP)-Nonfederal	1,288,725	1,412,080	1,608,973	1,470,076	1,432,754	1,432,903
Net Fee Revenue	1,288,725	1,412,080	1,608,973	1,470,076	1,432,754	1,432,903
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	113	-	-	985	-	-
Total Operating Revenue	1,288,838	1,412,080	1,608,973	1,471,061	1,432,754	1,432,903
Operating Expenses:						
Personal Services	1,744,439	1,865,028	2,147,525	2,107,573	2,262,158	2,274,125
Other Operating Expenses	521,712	585,773	819,766	694,464	1,372,067	1,270,028
Total Operating Expenses	2,266,151	2,450,801	2,967,291	2,802,037	3,634,225	3,544,153
Operating Income (Loss)	(977,313)	(1,038,721)	(1,358,318)	(1,330,976)	(2,201,471)	(2,111,250)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(1,768)	-	(10,524)	-	-	-
Federal Indirect Cost Recoveries	968,250	1,088,476	1,163,780	1,430,000	2,220,414	2,220,414
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	966,482	1,088,476	1,153,256	1,430,000	2,220,414	2,220,414
Income (Loss) Before Operating Transfers	(10,831)	49,755	(205,062)	99,024	18,943	109,164
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(10,831)	49,755	(205,062)	99,024	18,943	109,164
Total Net Assets- July 1 - As Restated	303,979	293,148	342,996	137,934	236,958	255,901
Prior Period Adjustments	-	93	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	303,979	293,241	342,996	137,934	236,958	255,901
Net Assets- June 30	293,148	342,996	137,934	236,958	255,901	365,065
60 days of expenses (Total Operating Expenses divided by 6)	377,692	408,467	494,549	467,006	605,704	590,692

Requested Rates for Internal Service Funds

	Fee/Rate Information					
	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Cost Allocation Plan (CAP)						
Requested Rate	6.50%	6.38%	8%	8%	9.125%	9.125%

This rate is charged to the various divisions within the Department of Labor to provide revenue to support centralized functions. The fluctuations in this rate are due to the increase/decrease in the amount of revenue required to perform centralized services for the department.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	123.10	0.00	2.00	125.10	0.00	2.00	125.10	125.10
Personal Services	6,093,549	558,709	100,178	6,752,436	590,289	100,392	6,784,230	13,536,666
Operating Expenses	3,409,866	159,429	48,019	3,617,314	177,184	45,156	3,632,206	7,249,520
Equipment	79,590	0	0	79,590	0	0	79,590	159,180
Benefits & Claims	135,586	0	0	135,586	0	0	135,586	271,172
Total Costs	\$9,718,591	\$718,138	\$148,197	\$10,584,926	\$767,473	\$145,548	\$10,631,612	\$21,216,538
General Fund	872,547	193,675	0	1,066,222	199,521	0	1,072,068	2,138,290
State/Other Special	8,069,917	551,196	148,197	8,769,310	589,287	145,548	8,804,752	17,574,062
Federal Special	776,127	(26,733)	0	749,394	(21,335)	0	754,792	1,504,186
Total Funds	\$9,718,591	\$718,138	\$148,197	\$10,584,926	\$767,473	\$145,548	\$10,631,612	\$21,216,538

Program Description

The Employment Relations Division (ERD) provides five service areas:

- The Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions
- The WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system
- The Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages, and provides collective bargaining mediation
- The Occupational Health and Safety Bureau, which administers federal and state industrial safety laws
- The Human Rights Bureau (and administratively attached Human Rights Commission), which enforces Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education

All functional areas in the Employment Relations Division are supported by the Management Services Bureau, which provides an array of services, including business process analysis, statistical analysis, budget development, fiscal and management analysis, administrative/clerical support; and information technology planning, development, implementation and maintenance.

The Board of Personnel Appeals, created in Section 2-15-1705, MCA and the Human Rights Commission, created in Section 2-15-1706, MCA are administratively attached to the department. The Employment Relations Division provides the administrative support for these two boards.

Program Highlights

Employment Relations Division Major Budget Highlights	
◆	Two FTE mine inspectors are recommended by the Governor for the purpose of inspecting metal and non-metal mines
◆	The budget increases nine percent from FY 2006 due to the additional FTE and statewide present law adjustments

Major LFD Issues
<ul style="list-style-type: none"> ◆ Possible state assumption of federal inspection activities relating to metal and non-metal mines.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table							
Employment Relations Div							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 872,547	9.0%	\$ 1,066,222	10.1%	\$ 1,072,068	10.1%	
01100 General Fund	872,547	9.0%	1,066,222	10.1%	1,072,068	10.1%	
02000 Total State Special Funds	8,069,917	83.0%	8,769,310	82.8%	8,804,752	82.8%	
02236 Industrial Accident Rehab	13,886	0.1%	10,043	0.1%	10,043	0.1%	
02258 Employment Security Account	977,102	10.1%	1,121,258	10.6%	1,127,640	10.6%	
02263 Subsequent Injury Admin	55,528	0.6%	57,143	0.5%	57,323	0.5%	
02346 Contractor Registration	1,825,602	18.8%	1,670,520	15.8%	1,676,561	15.8%	
02455 Workers' Comp Regulation	4,672,248	48.1%	5,361,321	50.7%	5,382,051	50.6%	
02941 Uninsured Employer Fund	525,551	5.4%	549,025	5.2%	551,134	5.2%	
03000 Total Federal Special Funds	776,127	8.0%	749,394	7.1%	754,792	7.1%	
03122 Eeoc	183,905	1.9%	187,352	1.8%	188,477	1.8%	
03130 Coal Mine Safety	124,395	1.3%	122,080	1.2%	122,931	1.2%	
03195 On-Site Consultation	467,827	4.8%	439,962	4.2%	443,384	4.2%	
Grand Total	<u>\$ 9,718,591</u>	<u>100.0%</u>	<u>\$ 10,584,926</u>	<u>100.0%</u>	<u>\$ 10,631,612</u>	<u>100.0%</u>	

General fund supports a portion of the Human Rights Bureau, silicosis benefits, the social security offset function in the WC claims assistance bureau, and a portion of the management services bureau. General fund accounted for nine percent of division funding in FY 2006, and would increase to ten percent in FY 2008 and FY 2009 in the executive budget.

State special revenue funds comprise 83 percent of division funding in FY 2008 and FY09 and include:

- Employment security account, with revenues derived from an assessment to employers that pay state unemployment insurance taxes; this fund supports the labor standards bureau
- Contractor Registration, with revenues derived from contractor registration and independent contractor exemption fees. This fund supports the administration of both of these programs
- Workers comp regulation, with revenues derived from an assessment to workers compensation insurance plans that is passed on to employers, plus fees and penalties as allowed by law; this fund supports several functions of the division
- Uninsured employer fund, with revenues derived from penalties assessed employers that do not provide workers compensation coverage as required by law and workers with invalid independent contractor exemption certificates. This fund supports administrative costs of the program. In addition, this fund pays benefits payments to injured workers through a statutory appropriation.

Federal funding comprises seven percent of total division funding in the 2009 biennium and includes coal mine safety and on-site consultation, which supports the Occupational Safety and Health Bureau; and the equal employment opportunity account which supports the Human Rights Bureau. Federal funding for on-site consultations decreases by about \$25,000 each year of the biennium. The decrease is related to federal support for training and education for smaller businesses with high-hazard workplaces (as defined by Occupational Safety and Health Administration (OSHA)).

The Management Services Bureau is funded from all funding sources supporting the functional division units.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----					-----Fiscal 2009-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					822,759					855,664
Vacancy Savings					(276,650)					(277,975)
Inflation/Deflation					60,098					64,256
Fixed Costs					(61,669)					(54,572)
Total Statewide Present Law Adjustments					\$544,538					\$587,373
DP 40001 - ERD Operating Increases										
	0.00	27,300	136,600	9,700	173,600	0.00	28,100	141,800	10,200	180,100
Total Other Present Law Adjustments	0.00	\$27,300	\$136,600	\$9,700	\$173,600	0.00	\$28,100	\$141,800	\$10,200	\$180,100
Grand Total All Present Law Adjustments					\$718,138					\$767,473

LFD COMMENT

The annual statewide present law personal services adjustment includes \$326,000 for the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature, funds salary increases or pay grade adjustments not funded in the pay plan, and restores salaries and benefits for vacancy savings realized in FY 2006. For a discussion on the salary increases or pay grade adjustments not funded in the pay plan see the Agency Discussion Section. The division experienced a vacancy rate in authorized FTE hours of 9.6 percent during the base year. Had no vacancies existed, base expenditures would have been higher.

DP 40001 - ERD Operating Increases – The executive budget recommends budget increases for per diem for the two administratively attached boards, rent, and indirect costs. The total biennial increase is \$353,700, funded from \$55,400 general fund and the remainder state and federal special revenue.

LFD COMMENT

Per diem expenditures are zero-based and must be requested each biennium. For more information on the indirect costs, see Proprietary Program narrative in the Commissioner’s Office/Centralized Services Division section of this budget narrative.

New Proposals

New Proposals										
-----Fiscal 2008-----					-----Fiscal 2009-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40002 - Mine Inspection Reinstatement (Requires Legislation)										
04	2.00	0	148,197	0	148,197	2.00	0	145,548	0	145,548
Total	2.00	\$0	\$148,197	\$0	\$148,197	2.00	\$0	\$145,548	\$0	\$145,548

DP 40002 - Mine Inspection Reinstatement (Requires Legislation) - The executive is proposing legislation to reinstate the department's authority to inspect all Montana metal/nonmetal mines. This decision package would provide the funding to implement the proposed legislation. Two new FTE and \$293,745 are included in this proposal. Funding would come from the Workers' Comp Regulation fund, which receives revenues from an annual assessment to self-insured companies, insurers, and the state fund.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The 1997 Legislature, through SB 325, removed the department's authority to inspect metal and non-metal mines. Given the dramatic increases in mining fatalities nationwide, higher injury rates in metal and non-metal mines, and higher workers' compensation rates in metal and non-metal mines in Montana, it is prudent to reinstate the department's authority to facilitate hazard identification and correction in metal and non-metal mines.

Goals: To reinstate the department's authority to inspect metal and non-metal mines and to decrease workers' compensation rates for metal and non-metal mines.

Performance Measures:

Progress will be measured by:

- The number of hazards identified
- Completing approximately 50 inspections per year
- Identifying 7 to 10 hazards per inspection
- Reducing fines by \$4,025 per inspection

Outcomes include safer work sites, lower fines by MSHA due to hazard abatement through state-performed inspections, increased work place safety, lower injury rates, and correspondingly lower workers' compensation rates in the metal and non-metal mining industries.

Milestones: Hiring to be completed within 6 months of legislative approval, training to be completed within 6 months of hiring.

FTE: The mine supervisor and existing staff will facilitate the hiring, mentoring, and training of the new staff. The two new mine inspectors will perform the metal and non-metal mine inspections, write the corresponding reports, and perform follow-up to ensure hazard abatement.

Funding: Funding will come from a state special revenue account (02455), workers compensation assessment fund.

Obstacles: Obtaining legislative approval, hiring qualified people from an existing applicant pool, and coordinating with MSHA inspectors to avoid redundancy.

Risks: The risks associated with this proposal are, continued higher incident rates and workers' compensation rates for metal and non-metal mines if not approved. Additionally, the fines levied by MSHA for metal and non-metal mines would remain higher due to missing the opportunity to identify and correct deficiencies through the department inspectors in a setting in which fines are not given.

**LFD
ISSUE****Possible State Assumption of Federal Inspection Activities Relating to Metal and Non-metal Mines**

SB 325 removed the department's authority to inspect metallic and nonmetallic non-coal mines in Montana, as long as the federal mine safety and health laws are implemented and enforced in Montana by the federal government. In addition, the department did not produce any statistics indicating worker compensation rates or injury rates for metal/non-metal mines had increased significantly since the passage of SB 325, as requested by legislative staff.

According to the division, the Mine Safety Health Administration (MSHA) is charged with inspecting all underground mines in Montana four times per year, all surface mines twice a year, and all sand and gravel operations at least once a year. MSHA completes 70 to 72 percent of the required inspections each year. As part of their examination of worker's compensation rates, the division determined that the frequency of mining worker's compensation claims in Montana is twice the national average. The division believes inspecting mine sites may reduce worker's compensation claims due to increase mine site safety.

The legislature may wish to consider the implication of assuming federal inspection activities if injury rates for metal/non-metal mines have not increased significantly since passage of SB 325.

Language

The Mine Inspection Reinstatement decision package is contingent on the passage and approval of LC0501.

Proprietary Rates**Proprietary Program Description**

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers and the State Fund. The asset balance is maintained at approximately \$1,700,000 to provide an operating balance for payment of benefits and administrative costs.

Proprietary Revenues and Expenses

Beginning July 1, 1999, the fund is maintained by an annual assessment on all workers' compensation policyholders, which is collected by all Montana workers' compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among Plan 1, Plan 2, and Plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and the rate is based solely on the insured's current year's use.

Proprietary Rate Explanation

The assessment for the Subsequent Injury Fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6040	Subsequent Injury-Trust Fund	66020	Dept. of Labor & Industry	Employment Relations Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	72,075	318,517	128,462	129,000	129,500	130,000
Net Fee Revenue	72,075	318,517	128,462	129,000	129,500	130,000
Investment Earnings	11,270	46,417	44,879	40,000	40,000	40,000
Securities Lending Income	4,658	12,093	24,982	7,210	7,210	7,750
Premiums	-	-	-	-	-	-
Other Operating Revenues	334	454	4,400	4,300	4,400	4,500
Total Operating Revenue	88,337	377,481	202,723	180,510	181,110	182,250
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	176,657	646,680	762,016	331,435	481,177	481,177
Total Operating Expenses	176,657	646,680	762,016	331,435	481,177	481,177
Operating Income (Loss)	(88,320)	(269,199)	(559,293)	(150,925)	(300,067)	(298,927)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(88,320)	(269,199)	(559,293)	(150,925)	(300,067)	(298,927)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(28,877)	(30,729)	(55,392)	(55,000)	(57,140)	(57,319)
Change in net assets	(117,197)	(299,928)	(614,685)	(205,925)	(357,207)	(356,246)
Total Net Assets- July 1 - As Restated	(409,573)	(526,770)	(826,698)	(1,441,383)	(1,647,308)	(2,004,515)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(409,573)	(526,770)	(826,698)	(1,441,383)	(1,647,308)	(2,004,515)
Net Assets- June 30 *	(526,770)	(826,698)	(1,441,383)	(1,647,308)	(2,004,515)	(2,360,761)
60 days of expenses (Total Operating Expenses divided by 6)	29,443	107,780	127,003	55,239	80,196	80,196

Requested Rates for Enterprise Funds

	Fee/Rate Information					
	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Plan I- Insureds	-	-	-	-	12,000	11,000
(Admin costs & benefits paid to certified claimants)						
Plan II- Insureds	21,996	102,008	55,463	50,000	77,000	78,000
(Admin costs & benefits paid to certified claimants)						
Plan III- Old Insureds	10,868	11,415	-	11,000	11,000	11,000
(Admin costs & benefits paid to certified claimants)						
Plan III- New Insureds	29,425	113,172	72,998	68,000	100,000	100,000
(Admin costs & benefits paid to certified claimants)						

Note:

The rates are based on the four Workers Compensation (WC) insurance plans' share of the WC market as compared to the net outlay of the Subsequent Injury Fund (SIF) in a calendar year. Please see 39-71-915, MCA, for particular details.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	112.03	0.00	3.50	115.53	0.00	3.50	115.53	115.53
Personal Services	5,265,475	591,902	144,093	6,001,470	621,117	144,383	6,030,975	12,032,445
Operating Expenses	6,289,396	1,204,917	28,342	7,522,655	1,249,286	26,672	7,565,354	15,088,009
Equipment	266,196	89,000	14,700	369,896	90,000	14,700	370,896	740,792
Grants	21,001	0	0	21,001	0	0	21,001	42,002
Total Costs	\$11,842,068	\$1,885,819	\$187,135	\$13,915,022	\$1,960,403	\$185,755	\$13,988,226	\$27,903,248
State/Other Special Proprietary	11,842,068 0	1,885,819 0	187,135 0	13,915,022 0	1,960,403 0	185,755 0	13,988,226 0	27,903,248 0
Total Funds	\$11,842,068	\$1,885,819	\$187,135	\$13,915,022	\$1,960,403	\$185,755	\$13,988,226	\$27,903,248

Program Description

The Business Standards Division consists of three bureaus:

- Bureau of Building & Measurement Standards (BBMS) establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator and boiler codes for use throughout Montana, and approves and certifies local government code enforcement programs to utilize codes adopted by the bureau. The BBMS is also responsible for licensing, inspecting, testing and certifying all weighing and measuring devices used in making commercial transactions in Montana
- Health Care Licensing Bureau (HCLB) provides administrative, clerical and compliance support for 20 licensing boards and one program that license professionals and individuals working in the health care field. The licensing boards and program in HCLB include 130 board members and 6 advisory council members appointed by the Governor
- Business & Occupational Licensing Bureau (BOLB) provides administrative, clerical and compliance support for 13 licensing boards and 6 licensing programs that license professionals and individuals working in non-health-care-related professions and occupations. The licensing boards in BOLB include 84 board members appointed by the Governor

Program Highlights

Business Standards Division Major Budget Highlights	
◆	The budget increases 18 percent in the 2009 biennium due to: <ul style="list-style-type: none"> • Operating expense increases of nearly 20 percent in the 2009 biennium • An additional 3.0 FTE electrical inspectors, adding approximately \$319,000 • An additional 0.5 FTE for the Board of Realty Regulation, adding \$54,000
Major LFD Issues	
◆	Legal contingency fees are double-budgeted
◆	Cost allocation increases

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table							
Business Standards Divis							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000	Total State Special Funds	\$ 11,842,068	100.0%	\$ 13,915,022	100.0%	\$ 13,988,226	100.0%
	02024 Blaster Licensing	8,539	0.1%	14,980	0.1%	14,897	0.1%
	02034 Earmarked Alcohol Funds	-	-	(5,001)	0.0%	(5,001)	0.0%
	02078 Occupational Therapists	47,558	0.4%	41,453	0.3%	42,221	0.3%
	02079 Fire Protection & Permitting	34,957	0.3%	32,152	0.2%	32,426	0.2%
	02109 Board Of Outfitters	556,099	4.7%	601,865	4.3%	606,716	4.3%
	02155 Boiler,Blaster,Crane Licensing	64,765	0.5%	64,227	0.5%	65,837	0.5%
	02160 Legal Contingency Fund	-	-	70,000	0.5%	70,000	0.5%
	02207 Crane Licensing	119,577	1.0%	148,863	1.1%	150,883	1.1%
	02359 Chemical Dependency Counselors	-	-	59,338	0.4%	61,196	0.4%
	02446 Board Of Psychologist Exam	65,478	0.6%	78,682	0.6%	80,523	0.6%
	02448 Building Codes State Spec Rev	4,358,706	36.8%	5,169,587	37.2%	5,133,125	36.7%
	02764 Bd Of Adolescent Res. Or Outdr Pgm	16,515	0.1%	61,102	0.4%	62,616	0.4%
	02767 Elevators	9,832	0.1%	7,157	0.1%	7,241	0.1%
	02805 Weights & Measures Bureau	862,940	7.3%	972,545	7.0%	977,652	7.0%
	02808 Board Of Landscape Architects	523	0.0%	40,660	0.3%	40,220	0.3%
	02809 Board Of Speech Pathologists	44,276	0.4%	49,010	0.4%	49,948	0.4%
	02810 Bd Of Radiologic Technologists	80,888	0.7%	83,090	0.6%	84,396	0.6%
	02811 Clinical Lab Science Pract.	53,905	0.5%	57,653	0.4%	58,538	0.4%
	02812 Physical Therapists	64,838	0.5%	65,437	0.5%	66,741	0.5%
	02813 Bd Of Nursing Home Admin	44,138	0.4%	47,415	0.3%	48,398	0.3%
	02814 Bd Of Hearing Aid Dispensers	32,403	0.3%	37,704	0.3%	38,439	0.3%
	02815 Board Of Public Accountants	260,538	2.2%	291,332	2.1%	292,880	2.1%
	02816 Board Of Sanitarians	15,985	0.1%	26,108	0.2%	26,464	0.2%
	02818 Electrical Board	287,887	2.4%	344,788	2.5%	346,436	2.5%
	02819 Board Of Realty Regulations	633,404	5.3%	736,433	5.3%	748,725	5.4%
	02820 Board Of Architects	66,151	0.6%	86,742	0.6%	84,348	0.6%
	02821 Board Of Funeral Service	79,969	0.7%	91,460	0.7%	92,939	0.7%
	02822 Board Of Chiropractors	79,206	0.7%	79,330	0.6%	80,640	0.6%
	02823 Professional Engineers	339,025	2.9%	333,668	2.4%	328,210	2.3%
	02824 Board Of Medical Examiners	704,490	5.9%	903,684	6.5%	918,349	6.6%
	02826 Cosmetology Board	396,977	3.4%	452,914	3.3%	456,757	3.3%
	02828 Board Of Plumbers	210,794	1.8%	229,346	1.6%	233,217	1.7%
	02829 Private Investigator	133,804	1.1%	166,612	1.2%	168,460	1.2%
	02830 Board Of Dentistry	198,241	1.7%	190,383	1.4%	193,159	1.4%
	02831 Board Of Optometrists	38,780	0.3%	51,493	0.4%	52,338	0.4%
	02832 Board Of Pharmacy	483,183	4.1%	594,667	4.3%	607,371	4.3%
	02833 Board Of Nursing	814,473	6.9%	936,240	6.7%	952,302	6.8%
	02834 Board Of Veterinarians	75,519	0.6%	77,186	0.6%	79,160	0.6%
	02840 Board Of Social Workers	149,174	1.3%	157,447	1.1%	162,211	1.2%
	02841 Board Of Athletics	99,546	0.8%	124,265	0.9%	126,741	0.9%
	02852 Bd. Of Alternative Health Care	46,167	0.4%	60,549	0.4%	62,891	0.4%
	02854 Bd. Of Real Estate Appraisers	231,471	2.0%	241,362	1.7%	245,745	1.8%
	02855 Bd Of Respiratory Care	31,347	0.3%	41,094	0.3%	41,871	0.3%
Grand Total		<u>\$ 11,842,068</u>	<u>100.0%</u>	<u>\$ 13,915,022</u>	<u>100.0%</u>	<u>\$ 13,988,226</u>	<u>100.0%</u>

Business, professional and occupational license fees; inspection fees; and permit fees are the revenue sources for all functions of this division. Costs for services provided directly by the functional units, such as board staff and the BBMS, are budgeted in HB 2. Overhead costs such as program administration and support are recovered from functional units through an administrative assessment. The functional units use license fees, inspection fees, and permit fees to pay the administrative assessment. Both the overhead costs and the assessment are accounted for in a proprietary fund, and as such are not included in the above table, but are presented in the proprietary rates section at the end of this program narrative.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				657,118					682,853
Vacancy Savings				(236,909)					(237,929)
Inflation/Deflation				38,795					41,236
Fixed Costs				(29,666)					(24,704)
Total Statewide Present Law Adjustments				\$429,338					\$461,456
DP 50005 - Legal Contingency Fund									
0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
DP 50006 - BOLB Operating Increases									
0.00	0	440,513	0	440,513	0.00	0	467,984	0	467,984
DP 50007 - Building Codes Operating Increases									
0.00	0	287,376	0	287,376	0.00	0	230,527	0	230,527
DP 50008 - BSD Admin Operating Increases									
0.00	0	(8,482)	0	(8,482)	0.00	0	(8,117)	0	(8,117)
DP 50009 - HCLB Operating Increases									
0.00	0	544,812	0	544,812	0.00	0	613,701	0	613,701
DP 50010 - Weights & Measures Operating Increase									
0.00	0	122,262	0	122,262	0.00	0	124,852	0	124,852
Total Other Present Law Adjustments									
0.00	\$0	\$1,456,481	\$0	\$1,456,481	0.00	\$0	\$1,498,947	\$0	\$1,498,947
Grand Total All Present Law Adjustments				\$1,885,819					\$1,960,403

DP 50005 - Legal Contingency Fund - This decision package is requested to restore the legal contingency fund for the Business & Occupational and the Health Care Licensing Bureaus. The purpose of this funding authority is to eliminate the need for budget amendments for unanticipated and emergency legal costs. This request for authority of \$70,000 in each year of the biennium is funded by state special revenue.

**LFD
ISSUE****Legal Contingency Fees are Double-Budgeted in the Executive Budget**

The executive budget adds \$70,000 state special revenue authority each year for a legal contingency fund; however, base year expenditures from the legal contingency fund totaling \$35,542 are not removed from the budget. Consequently the expenditure base for the 2009 biennium is overstated by \$35,542 each year.

Option 1 – Reduce the legal contingency fund by \$35,542 each year of the 2009 biennium

Option 2 – Reduce the base budget by \$35,542 each year of the 2009 biennium

Option 3 – Approve the executive budget as proposed.

**LFD
COMMENT**

In FY 2006 the division expended \$127,010 for legal costs, including the \$35,542 from the legal contingency fund, leaving \$91,468 in the base for legal costs.

DP 50006 - BOLB Operating Increases - The executive budget adds \$440,513 in FY 2008 and \$467,984 in FY 2009 to increase board per diem, travel, indirect costs, and miscellaneous operating expenses for the business and occupational licensing bureau. Funding would come from license fees paid by persons in regulated businesses and professions that are required to obtain a license from the state before practicing the profession or opening a business, and periodically thereafter.

**LFD
ISSUE****Cost Allocations Increase**

This proposal accounts for 99 percent of the business and occupational licensing bureau present law increase each year of the 2009 biennium. Over half of the increase is due to additional cost allocation amounts charged for the administration of the program. Cost allocation includes the costs of centrally assessed bureau, division, and department charges. The majority of the increase is for personal service cost increases. This issue is also discussed in the Commissioner's Office and Centralized Services narrative. In light of the continuing increases to these cost allocations, the legislature may wish to consider the implications of approving the proprietary rate increase related to cost allocation.

DP 50007 - Building Codes Operating Increases - executive budget adds \$287,376 in FY 2008 and \$230,527 in FY 2009 to the building codes bureau to cover various operating expenses increases. The proposed budget increase would be funded from inspection fees and permits.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This request is to restore base level funding to cover various operating expenses that will be associated with a fully staffed inspection team. In addition, it will cover increases in rent, the divisions overhead cost allocation plan, development of an Oracle Portal, and fees charged for online permitting.

Goals: To develop a new Oracle portal for the Building Standards Section to allow for online permitting and public access to building permit information.

Performance Measures: Progress will be measured by timely inspections which will prevent costly delays in construction and ensure compliance with the applicable codes.

Milestones: The Oracle portal for the Building Standards Section should be completed within 10 months of legislative approval. Once approved, the request will need to be reviewed and approved by ITSD. The program will tie together all of the building code related programs and allow for on-line permitting and public access to building permit information.

FTE: The work on the portal will be achieved by contracting with a computer consultant to complete the database.

Funding: Funding is from a state special revenue account (02448), building permits. No fee increases is anticipated.

Obstacles: Keeping qualified inspectors at a wage that is competitive with private industry.

Risk: Not restoring base expenditures will result in scaled back inspections, or the possibility of leaving positions vacant for a period of time. This will hamper timing of inspections, which will result in projects being delayed and projects being completed without the benefit of proper inspections. If a project is not inspected in accordance with state law and there are resultant fatalities, injuries or significant property damage, the State of Montana could be held liable.

**LFD
ISSUE****Incomplete Information**

The goal for this request is to develop a new Oracle portal, but the performance measures do not address the development of the portal. Milestones do not include specific dates for the implementation of the performance measures. The legislature may wish to consider specific performance measures and milestones as part of their deliberations relating to this request.

DP 50008 - BSD Admin Operating Increases - The executive budget proposes to reduce operating costs in the division administration office by \$8,482 in FY 2008 and \$8,117 in FY 2009. The proposal would be funded from the building codes state special revenue account, which receives revenues from inspection fees and permits.

DP 50009 - HCLB Operating Increases - The executive budget adds \$544,812 in FY2008 and \$613,701 in FY2009 to increase operating costs for the health care licensing bureau. Funding would come from license fees paid by persons in health care professions that are required to obtain a license from the state before practicing the profession, and periodically thereafter.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The operating increases requested are for restoring base expenditures for board member per diem, miscellaneous operational costs, and the divisions overhead cost allocation plan.

Goals: The goal of this proposal is to obtain adequate authority to maintain current program operations.

Performance Measures: Ensuring every meeting, screening panel, and adjudication panel has the quorum and staff necessary to conduct board business.

Milestones: The bureau chief and unit supervisors will monitor board activity to ensure there are no obstacles in place which could prevent or hamper board progress. If obstacles are identified, a plan will be formulated to correct the problem within 90 days.

FTE: No additional FTE will be hired as a result of this proposal.

Funding: Funding will come from license fees that are deposited in each board's account.

Obstacles: Scheduling meetings at a time and place when board members and staff can attend and giving the public adequate notice of these meetings.

Risk: Delays in investigations and board actions on complaints could result in the public being subjected to an incompetent health care professional, leaving the State of Montana vulnerable and with a potential liability.

LFD ISSUE

Cost Allocation Increases

The proposal states that the goal is to maintain current operations; however, this proposal expands the expenditure base for the program. The proposal increases operating expenses 18 percent from the FY 2006 base expenditure level and accounts for 90 percent of the proposed overall biennial expenditure increase for the health care licensing bureau budget in the 2009 biennium. Approximately 60 percent of the increase relates to cost allocation increases. This issue is also discussed in the Commissioner's Office and Centralized Services narrative. In light of the continuing increases to these cost allocations, the legislature may wish to consider the implications of approving the proprietary rate increase related to cost allocation.

DP 50010 - Weights & Measures Operating Increase - This request is to restore FY 2006 base level funding for equipment purchases and increases for spending costs including rent, indirect costs and recharges. The request is for \$122,262 in FY 2008 and \$124,852 in FY 2008 and is funded by state special revenue.

**LFD
COMMENT**

The FY 2006 base equipment expenditures totaled \$17,862 rather than the \$89,000 and \$90,000 requested for FY 2008 and FY 2009, respectively, and justified as “base”.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 50001 - BOLB Additional FTE Education Specialist										
05	0.50	0	27,928	0	27,928	0.50	0	26,275	0	26,275
DP 50003 - Building Codes FTE										
05	3.00	0	159,207	0	159,207	3.00	0	159,480	0	159,480
Total	3.50	\$0	\$187,135	\$0	\$187,135	3.50	\$0	\$185,755	\$0	\$185,755

DP 50001 - BOLB Additional FTE Education Specialist - The executive budget adds a 0.50 FTE, Education Specialist position in the Board of Realty Regulation and \$27,982 in FY 2008 and \$26,275 in FY 2009 from Board of Realty Regulation fees paid by license fees and renewals from realty related professions.

**LFD
COMMENT**

The Board of Realty Regulation currently has 0.50 FTE and this proposal increases FTE by 0.50. The responsibilities relating to the position has increased over the last several years. For example, the number of new applicants/licensees has increased from 3,083 in FY 2002 to 7,321 in FY 2006. The number of board sponsored classes has increased from 5 in 2004 to 6 in 2006, and the number of continuing education classes certified has gone from 142 approved in 2004 to 186 in 2006.

DP 50003 - Building Codes FTE - The executive budget adds 3.00 FTE electrical inspectors in the Building Codes Bureau to meet the demands of electrical inspection workload. Additional personal services and operating expenses total \$159,207 in FY 2008 and \$159,480 in FY 2009 in each year of the biennium and is funded by electrical permit fees.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Given the dramatic increase in building construction in the last five years (25.6 percent increase in the last 2 years alone), 3 additional electrical inspectors are needed to meet increased workloads. Section 50-60-6-4, MCA, requires the State of Montana to conduct all electrical inspections in Montana.

Goals: To hire three permanent electrical inspectors to meet the increased workload demands associated with the rapid pace of new building construction in high growth areas.

Performance Measures: Progress will be measured by the percentage increase in additional electrical inspections done each year, with an anticipate increase of 4,500 electrical inspections per year, with each inspector targeted to perform 1,500 of those inspections each year.

Outcomes: the quality of electrical inspections performed will be more thorough resulting in reduced fire hazards and dangers from electrical shock. With the additional inspectors, time will be freed up to assist homeowners doing their own wiring thus assuring compliance with the National Electrical Code and a safe electrical installation.

Milestones: Hiring to be completed within 6 months of legislative approval. Training will be completed within 6 months of hiring.

FTE: The inspection safety supervisor and existing field supervisors will facilitate the hiring, mentoring, and training of the new staff. The new inspectors will perform electrical inspections, write inspections reports, and perform follow-up inspections to ensure safety corrections are completed. This proposal will convert three modified electrical positions into permanent full-time-positions.

Funding: Funding will come from state special revenue account (02448) electrical permit fees. Assuming the number of electrical permits stays constant, sufficient revenue will be generated to fund this request without raising fees.

Obstacles: Hiring qualified licensed electricians from an existing applicant pool and offering a competitive wage.

Risk: The National Fire Protection Association (NFPA) statistics show electrical installations are the 5th leading cause of fires in residential buildings and the 3rd leading cause of fires in other buildings. If a fire occurs in a building in Montana where proper electrical permits were obtained, but the installation was not inspected in accordance with state law and there were resultant fatalities, injuries or significant property damage, the State of Montana could be held liable.

Proprietary Rates

Proprietary Program Description

The Business Standards Division maintains an internal service fund to cover division and bureau level costs of operation that are common to the bureaus, boards and programs of the division. Common costs of operation are assessed through a cost allocation plan to the various state special revenue accounts on an equitable basis, while attempting to reach a reasonable working capital reserve of approximately 60 days by the end of FY 09.

Proprietary Revenues and Expenses

The adjusted base expenditures will be charged to the FY2008 and 2009 cost allocation plan and recouped via the cost allocation rate.

Proprietary Rate Explanation

The cost allocation rate which funds the division level operating costs are assessed to the three bureaus on an FTE basis, with assessments as follows: Bureau of Business & Measurement Standards (BBMS) - 54.4 percent, Health Care Licensing Bureau (HCLB)- 20.7 percent and Business & Occupational Licensing Bureau (BOLB) - 24.9 percent. BBMS will pay a percent of its share of division level operating costs with HB2 direct charges covering the personal services costs of the division administrator and division rent. The division level, bureau level and legal services operating costs assessments for HCLB and BOLB are passed through to the boards and programs located in each bureau on the basis of time distribution.

LFD ISSUE

Cost Allocation Increase

The cost allocation rate increases discussed above are a major component of the division's present law increases included in DP 50006, DP 50007, DP 50008 and DP 50009. As discussed in the Commissioner's Office and Centralized Services Division narrative, the Economic Affairs Interim Committee requested the division provide it further information on the methodology used by the division to allocate these costs. The committee heard testimony from the department on the costs allocations but did not take specific action in relation to the charges. The committee indicated further action on the rates should be completed through the legislative appropriation process.

A number of the requests for additional funding included for the Business Standards Division are partially based on significant increases in the cost allocation rates charged to the boards.

The legislature may wish to consider the implications of the increased rate for the cost allocation on the various division budgets.

2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6552	Admin Services	66020	Dept. of Labor & Industry	Business Standards Division

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Charges for services	2,283,254	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Net Fee Revenue	2,283,254	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	6	-	-	-	-	-
Total Operating Revenue	2,283,260	2,461,234	2,865,597	3,031,482	3,300,000	3,505,913
Operating Expenses:						
Personal Services	1,695,018	1,866,097	2,109,504	1,925,848	2,382,079	2,394,032
Other Operating Expenses	634,614	597,650	654,165	1,105,634	757,834	763,728
Total Operating Expenses	2,329,632	2,463,747	2,763,669	3,031,482	3,139,913	3,157,760
Operating Income (Loss)	(46,372)	(2,513)	101,928	-	160,087	348,153
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	345	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	345	-	-
Income (Loss) Before Operating Transfers	(46,372)	(2,513)	101,928	345	160,087	348,153
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(46,372)	(2,513)	101,928	345	160,087	348,153
Total Net Assets- July 1 - As Restated	(29,440)	(75,812)	(78,325)	23,563	23,908	183,995
Prior Period Adjustments	-	-	(40)	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(29,440)	(75,812)	(78,365)	23,563	23,908	183,995
Net Assets- June 30	(75,812)	(78,325)	23,563	23,908	183,995	532,148
60 days of expenses						
(Total Operating Expenses divided by 6)	388,272	410,625	460,612	505,247	523,319	526,293

Requested Rates for Internal Service Funds

	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee/Rate Information						
Recharge Rate	48%	48%	48%	48%	54%	54%
Recharge Amount	2,500,000	2,500,000	3,000,000	3,000,000	3,500,000	3,600,000

The rate will support the Business Standards Division Administration, Health Care Licensing & Business, Occupational Licensing Bureau's and the Legal Unit associated with Licensing Bureaus.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	177,469	24,202	0	201,671	24,791	0	202,260	403,931
Operating Expenses	145,026	148,990	50,000	344,016	150,691	0	295,717	639,733
Grants	2,599,113	20,917	0	2,620,030	20,917	0	2,620,030	5,240,060
Total Costs	\$2,921,608	\$194,109	\$50,000	\$3,165,717	\$196,399	\$0	\$3,118,007	\$6,283,724
General Fund	38,079	86,921	0	125,000	86,921	0	125,000	250,000
State/Other Special	0	75,000	50,000	125,000	75,000	0	75,000	200,000
Federal Special	2,883,529	32,188	0	2,915,717	34,478	0	2,918,007	5,833,724
Total Funds	\$2,921,608	\$194,109	\$50,000	\$3,165,717	\$196,399	\$0	\$3,118,007	\$6,283,724

Program Description

The Office of Community Services provides administration for Corporation for National and Community Service programs (AmeriCorps), community service, and volunteer efforts statewide. The office was created by the 1993 Legislature at the request of the Governor (MCA 90-14-101) in order to support community-based volunteer programs focused on addressing critical community needs. The vision of the office and its Commission on Community Service is to cultivate service as a lifelong "habit of the heart" for all citizens, and in particular, instill an ethic of community service in young Montanans. To that end, in the 2007-2009 biennium, the office is committed to:

- Encouraging all Montana citizens to engage in service activities in their community, involving youth in the life and work of communities, and expanding service opportunities for all Montanans.
- Contracting with and monitoring grants to community organizations utilizing part-time and full-time volunteers in an effort to make a difference, as well as work with other partners from the Corporation for National Service, which includes primarily the Office of Public Instruction, the University of Montana Campus Compact, and the Corporation State Office.
- Coordinating and overseeing annual training and technical assistance activities for national service programs in Montana through AmeriCorps*USA, National Senior Service Corps, and Learn & Serve America.

Program Highlights

Office of Community Service Major Budget Highlights	
◆	The Governor recommends a 150 percent general fund increase to use as a cash match for federal funds.
Major LFD Issues	
◆	Other funds may be available to provide a portion of the state match for the federal grant

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

		Program Funding Table Office Of Community Serv					
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 38,079	1.3%	\$ 125,000	3.9%	\$ 125,000	4.0%
	01100 General Fund	38,079	1.3%	125,000	3.9%	125,000	4.0%
02000	Total State Special Funds	-	-	125,000	3.9%	75,000	2.4%
	02296 Mt Community Service Ssr	-	-	125,000	3.9%	75,000	2.4%
03000	Total Federal Special Funds	2,883,529	98.7%	2,915,717	92.1%	2,918,007	93.6%
	03322 Mt Community Service Fsr	2,883,529	98.7%	2,915,717	92.1%	2,918,007	93.6%
Grand	Total	<u>\$ 2,921,608</u>	<u>100.0%</u>	<u>\$ 3,165,717</u>	<u>100.0%</u>	<u>\$ 3,118,007</u>	<u>100.0%</u>

This program is funded primarily from a federal grant and a small amount of general fund that is used to meet a portion of the required match for the federal grant. For the 2009 biennium, the executive budget recommends adding \$200,000 state special revenue in the 2009 biennium and increasing the general fund appropriation to \$125,000 each year, a 150 percent increase from the current biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				32,605					33,218
Vacancy Savings				(8,403)					(8,427)
Inflation/Deflation				503					530
Fixed Costs				1,711					2,661
Total Statewide Present Law Adjustments				\$26,416					\$27,982
DP 70001 - Administration Costs									
0.00	86,922	0	0	86,922	0.00	86,922	0	0	86,922
DP 70002 - Accounting Requirement									
0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 70003 - Operating Increase									
0.00	1,156	0	4,615	5,771	0.00	1,156	0	5,339	6,495
Total Other Present Law Adjustments									
0.00	\$88,078	\$75,000	\$4,615	\$167,693	0.00	\$88,078	\$75,000	\$5,339	\$168,417
Grand Total All Present Law Adjustments				\$194,109					\$196,399

LFD COMMENT

The statewide present law personal services adjustment includes \$9,200 annually for the implementation and annualization of the 2007 biennium pay plan approved by the 2005 Legislature. The remaining adjustment funds salary increases or pay grade adjustments not funded in the pay plan, restores salaries and benefits for vacancy savings realized in FY 2006, and pays for increased costs in employee benefits.

DP 70001 – Administration Costs – The executive budget adds \$173,844 general fund to this program to provide a dollar for dollar cash match to the federal administrative grant received by the program. If approved, the budget would include \$125,000 general fund each year for the match.

**LFD
ISSUE**

Other Funds May be Available to Provide a Portion of the State Match for this Federal Grant

In the 2007 biennium, the required match on this administrative grant was funded partly from cash and partly from in-kind services through radio promotions, annual conferences, and other training activities. The executive is recommending general fund replace the in-kind contributions previously used to match the grant.

Other funds may be available within the department to provide some or all of the additional amount recommended for the cash match. The executive budget includes the addition of \$150,000 state special revenue funds in this program for the 2009 biennium (see DP 70002), with revenues received from other state agencies. Previously the division recorded these funds as non-budgeted state special revenue. However, DOLI staff believes any funds received from another state agency for program support must be included in a budgeted fund. Approximately \$108,000 of these funds would be used for administrative costs that could be used as a state match. The remaining \$66,000 match can be met through in-kind services or cash.

Option 1: Use the additional state special revenue as match for the administration grant, funding the remaining match from general fund

Option 2: Use the additional state special revenue as partial match for the administration grant

Option 3: Add \$173,844 general fund to the program as requested

Option 4: Deny the request

DP 70002 - Accounting Requirement - The executive budget recommends the addition of \$150,000 in the 2009 biennium to establish a state special revenue fund to account for revenue from other state agencies and bring the program into compliance with state accounting statutes.

DP 70003 - Operating Increase - The executive increases the program budget approximately \$12,000 for increased indirect costs in the 2009 biennium. This increase would be funded from general fund and federal special revenue.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 70004 - Conference on Race (Biennial)										
07	0.00	0	50,000	0	50,000	0.00	0	0	0	0
Total	0.00	\$0	\$50,000	\$0	\$50,000	0.00	\$0	\$0	\$0	\$0

DP 70004 - Conference on Race (Biennial) - The executive budget transfers the budget authority for the Conference on Race from the Office of Commissioner of Higher Education to the Office of Community Services. A \$50,000 biennial appropriation, funded from conference registration fees and donations, is added in the 2009 biennium.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00
Personal Services	428,850	(16,956)	0	411,894	(15,360)	0	413,490	825,384
Operating Expenses	142,619	56,369	0	198,988	60,627	0	203,246	402,234
Total Costs	\$571,469	\$39,413	\$0	\$610,882	\$45,267	\$0	\$616,736	\$1,227,618
State/Other Special	571,469	39,413	0	610,882	45,267	0	616,736	1,227,618
Total Funds	\$571,469	\$39,413	\$0	\$610,882	\$45,267	\$0	\$616,736	\$1,227,618

Program Description

The Workers' Compensation Court provides a forum for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational disease. The court is attached to the department for administrative purposes only.

Program Highlights

Workers' Compensation Court Major Budget Highlights	
◆	The increase of \$85,000 over the biennium is primarily due to: <ul style="list-style-type: none"> • An increase for rent, indirect costs, travel, and contracted services, adding \$113,500 • Statewide present law adjustments reducing costs \$29,000

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table Workers Compensation Cou						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 571,469	100.0%	\$ 610,882	100.0%	\$ 616,736	100.0%
02455 Workers' Comp Regulation	571,469	100.0%	610,882	100.0%	616,736	100.0%
Grand Total	<u>\$ 571,469</u>	<u>100.0%</u>	<u>\$ 610,882</u>	<u>100.0%</u>	<u>\$ 616,736</u>	<u>100.0%</u>

The Workers Compensation Court is funded entirely with workers compensation regulation funds from assessments on employers, insurers, and the state fund. This fund was created to pay for workers compensation regulation.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				207						1,869
Vacancy Savings				(17,163)						(17,229)
Inflation/Deflation				1,527						2,045
Fixed Costs				(230)						169
Total Statewide Present Law Adjustments				(\$15,659)						(\$13,146)
DP 90001 - WCC Operating Increase										
0.00	0	55,072	0	55,072	0.00	0	58,413	0	58,413	
Total Other Present Law Adjustments										
0.00	\$0	\$55,072	\$0	\$55,072	0.00	\$0	\$58,413	\$0	\$58,413	
Grand Total All Present Law Adjustments				\$39,413						\$45,267

DP 90001 - WCC Operating Increase - The executive budget adjusts base expenditures to support increases in rent, indirect costs, travel, and contracted services. It is funded by state special revenue, for a total of \$61,072 in FY2008 and \$64,413 in FY 2009.

**LFD
COMMENT**

Approximately \$30,000 per year of the increase relates to contracted and professional services for a special master to address pre-trial matters on common fund cases as needed.